

Minnesota Management & Budget Statewide Procedure

Minnesota Management & Budget, Internal Control & Accountability
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Risk Assessment

Objective

Risk assessment is one component of the COSO Internal Control Integrated Framework and is vital to an effective internal control system. Risk assessments must be performed on all high profile key processes in order to support the agency head's annual certification of internal control structure, pursuant to Minn. Stat. Section 16A.057, Subd. 8. The agency's risk assessment plan identifies the specific processes for which risk assessments must be performed and documented. The plan must be comprehensive and sufficient enough in scope to support the agency's certification of internal control structure. This procedure is applicable to all cabinet level agencies and other executive branch agencies, based on size and inherent business risk.

General Procedures

Step	Action	Responsible Party	Timeline
1.	Determine which executive branch agencies are subject to the risk assessment requirement based upon the following considerations: <ul style="list-style-type: none">Cabinet level agencies (regardless of size)Appropriations and/or expenditures > \$10,000,000 (based on FY12 – FY13 biennium)Agency's level of inherent business risk and scope of authority	MMB Internal Control & Accountability Unit	February 2013
2.	Notify executive branch agencies of their ongoing responsibilities to develop and maintain a risk assessment plan.	MMB Commissioner	Annually
3.	Create an agency-specific risk assessment plan. The plan must include sufficient processes to support the annual agency head certification of the agency's internal control system, pursuant to M.S. 16A.057, Subd. 8. [Refer to the "Related Resource" section below to locate the definition of <i>process</i> .] At minimum, the plan must include the following: <ul style="list-style-type: none">The criteria the agency used to consider processes for inclusion in the risk assessment plan. Processes included in the plan should be those considered high risk and critical to the agency's mission. The criteria should include both qualitative and quantitative factors, including risks to the agency's reputation. . [Refer to the "Related Resource" section below to locate more information on <i>factors</i>.]The name and brief description of each process included in the plan.As necessary, a breakdown of complex and/or large processes into manageable sub-process risk assessments.	Agency Head/Agency Management	Initial plan due by July 2013 and annually thereafter

Step	Action	Responsible Party	Timeline
	<ul style="list-style-type: none"> A tentative timeline for completion of each identified risk assessment included in the plan (e.g., less than two years, two-three years, or over three years). 		
4.	Identify individuals responsible and accountable for ensuring that the risk assessment plan is carried out, documented, easily accessible, regularly reviewed and updated.	Agency Head/Agency Management	Annually
5.	Perform risk assessments as outlined in the risk assessment plan.	Agency staff identified in the plan as responsible	Ongoing
6.	Ensure that control weaknesses and gaps identified through the risk assessment process are pursued and mitigation status is periodically communicated to management.	Agency staff identified in the plan as responsible	Ongoing
7.	Certify to the status of the risk assessment plan and progress toward implementation through the annual agency head internal control structure certification process, pursuant to Minn. Stat. Section 16A.057, Subd. 8.	Agency Head	Annually by July 31
8.	Monitor progress on implementing and completing the risk assessment plan.	Agency Head/Agency Management	Ongoing
9.	Revisit the factors to identify any new or existing processes to be added to the plan. Revise the plan as appropriate.	Agency Head/Agency Management	Annually

Forms

MMB Agency Head Internal Control Structure Certification Form, (<http://www.beta.mmb.state.mn.us/structure-cert>)

Related Policies and Procedures

MMB Operating Policy 0102-01, Internal Controls, (<http://www.mmb.state.mn.us/doc/statewide-financial/ch1/0102-01.pdf>)

Guide to Risk Assessment and Control Activities, (<http://www.beta.mmb.state.mn.us/risk-assessment>)

Related Resources

Risk Assessment Planning: Process Definitions, (<http://www.beta.mmb.state.mn.us/risk-intro>)

Risk Assessment Planning: Factors for Consideration When Prioritizing Processes, (<http://www.beta.mmb.state.mn.us/risk-intro>)